

## U.S. takes a First Step Towards a New Trade Relationship with Taiwan

Over strenuous opposition from China, the USTR announced a “first step” trade initiative has just been reached with Taiwan on June 1, 2023. This new trade arrangement, “*U.S. Taiwan Initiative on 21<sup>st</sup> Century Trade*,” is a modest trade “framework” with the stated intent that further enhancements of the trade relationship will be forthcoming in future agreements.



Taiwan's President Tsai Ing-wen and NADEC Trade Policy Committee's Elizabeth Chan appear onstage with a number of prominent Taiwanese businessmen earlier in June at the 1<sup>st</sup> post-covid, large international business conference in Taiwan. Elizabeth Chan was an invited keynote speaker addressing trade de-risking versus decoupling and economic patriotism in the Asia context.

A number of Taiwanese businesspersons commented to me, while there in Taipei recently, that they viewed this development, while far short of a FTA, as an important and encouraging 1<sup>st</sup> “baby step” in upgrading the trade relationship with the United States.



Taiwan's President Tsai Ing-wen addresses the Taiwanese business community at the 75<sup>th</sup> Anniversary Celebration of the founding of the Importers and Exporters Association of Taipei which represents approximately 40% of Taiwan's economy. The organization now has some 6,400 members.

This new trade initiative with Taiwan sets up a modest trade “framework” and not a whole lot more. Among the more practical improvements for our DEC members is that this initiative contains an agreement to promote online, publicly-available resources for SME's to learn more about how to actually conduct business in both markets. In the area of trade facilitation, this new agreement provides for the use of electronic customs forms, as well as the electronic payment of duties, taxes & fees on both sides. SME trade and Investment opportunities between Taiwan and the U.S. are encouraged. Other provisions include public consultations on draft regulatory measures, regulators required to be independent of the industry being overseen and an interesting provision on anti-corruption. If you take a look at the anti-corruption section, it is interesting that it mandates procedures for possible removal of public officials charged or convicted of corruption.

The backstory of this new trade arrangement with Taiwan is that it follows a Congressional resolution enacted into law on March 26, 2020. In that legislation, titled the "*Taiwan Allies International Protection and Enhancement Initiative (Taipei) Act of 2019*," Congress directed a number of key upgrades in the U.S. trade relationship with Taiwan:

- Encourages the President to conduct regular transfers of defense articles
- Encourage travel of high-level U.S. officials to Taiwan
- SEC. 5. **In the Senate version only** (Not passed into law) Sense of Congress on trade negotiations with Taiwan:

*"It is the sense of Congress that the United States should engage in bilateral trade negotiations with Taiwan with the goal of entering into a free trade agreement that is of mutual economic benefit and that protects United States workers and benefits United States exporters."*

Note: The above language in italics was in the Senate version but not the final one

Section 3 (3):

*"the United States Trade Representative should consult with Congress on opportunities for further strengthening bilateral trade and economic relations between the United States and Taiwan."*

- Support Taiwan in strengthening its official diplomatic relationships
- U.S. to consider increasing economic security and diplomatic engagement with nations upgrading relations with Taiwan (and the reverse for those that take serious actions to undermine the security or prosperity of Taiwan)
- Authorizes the State Department to take various actions in response to nations acting to undermine Taiwan by:
  - Adjusting U.S. diplomatic presence in those countries; and,
  - Adjusting the level of U.S. assistance in such countries
- Take the position that it is the stated policy of U.S. govt to use its influence and advocate for Taiwan membership/observer status in international organizations as appropriate.

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The 2019 Congressional resolution referred to above served as the backdrop for this new framework agreement just put into place with Taiwan, the "*U.S. Taiwan Initiative on 21<sup>st</sup> Century Trade*." What is important for DEC members is to appreciate that there is strong, bi-

partisan support for Taiwan, including support for a Free Trade Agreement. This is an encouraging development given Taiwan's critical role in the chip and high tech supply chain.